

PUBLIC DISCLOSURE

FEBRUARY 4, 2000

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

FLORENCE SAVINGS BANK

**85 MAIN STREET
FLORENCE, MA 01060**

**DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110**

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire local community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **FLORENCE SAVINGS BANK (FSB or the Bank)** prepared by the Massachusetts Division of Banks, the institution's supervisory agency, as of **February 4, 2000**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated "Outstanding"

The bank's overall CRA outstanding performance reflects management's commitment to meeting the credit needs of the assessment area. The examination covered the period of January 1, 1998 through December 31, 1999 and was based on three performance criteria: Lending Test, Investment Test, and Service Test.

Ratings for each of the three tests are identified on page 4. Florence Savings Bank's lending levels reflect an excellent responsiveness to its assessment area's credit needs. The bank originated 76.2% of its residential mortgage loans and 90.7% of its small business loans within its assessment area. The geographic distribution of loans reflects a good dispersion throughout the assessment area. In addition, a review of the bank's lending to small businesses indicates an excellent level of performance in small business loan originations. The distribution of loans by borrower income exhibits an excellent penetration among customers of various income levels, especially in comparison to peer. The bank's level of community development lending indicates its commitment to economic development within the assessment area. Additionally, the bank's extensive use of innovative and flexible lending products is considered excellent since it has identified specific needs of low-and moderate-income individuals and small businesses and has attempted to target products to these needs. Thus, the bank was accorded a rating of outstanding under the lending criterion.

Florence Savings Bank has a significant level of qualified community development investments and grants, and has exhibited excellent responsiveness to credit and community economic development needs and was accorded a rating of outstanding in this regard.

Florence Savings Bank's delivery systems are readily accessible to all segments of the assessment area. The bank's services are tailored to meet the needs of the assessment area, with specific services benefiting low and moderate-income individuals. Bank personnel meet with local community organizations to discuss the credit needs of the community, and make their own personal contributions through volunteer efforts in a variety of public service, charitable, and youth organizations. The bank is a leader in providing community development services, and thus, was rated outstanding in this criterion.

LENDING, INVESTMENT, AND SERVICE TEST TABLE

PERFORMANCE TESTS Florence Savings Bank			
Performance Levels	Lending Test*	Investment Test	Service Test
Outstanding	X	X	X
High Satisfactory			
Satisfactory			
Needs to Improve			
Substantial Non-Compliance			

*Note: The Lending Test is weighed more heavily than the Service and Investment Tests when arriving at an overall rating.

PERFORMANCE CONTEXT

Description of Institution

Florence Savings Bank (FSB) was founded as a mutual savings bank under the laws of the Commonwealth of Massachusetts in 1873. The bank operates six full service branch offices, including its main office in Florence, a village of Northampton; two in Northampton; one in Williamsburg; one in Easthampton; and one in Hadley. The Easthampton office was acquired through the merger with Easthampton Co-operative Bank on September 17, 1999. All branch offices offer Automatic Teller Machines (ATMs), and three additional ATMs are free standing: two in Northampton and one in Amherst. The bank is a member of the SUM Alliance and therefore no surcharges are assessed for any ATM use. In 1998, FSB was the number one HMDA lender within its assessment area.

As of its September 30, 1999, FDIC Quarterly Call Report, FSB had \$434,664,000 in total assets. Of these total assets, approximately \$343,762,000 or 79.1 percent were in the form of loans.

The composition of the bank's loan portfolio consists of residential mortgage loans, commercial real estate loans, construction and land development loans, home equity loans, loans secured by farmland, commercial loans and a wide variety of consumer loans including automobile, and personal loans. Refer to the following table for the distribution of the bank's loan portfolio.

Loan Portfolio Composition

Loan Type	Amount (000s)	Percent
Residential Mortgages	248,105	72.2%
Commercial Real Estate	35,612	10.4%
Consumer Loans	26,888	7.8%
Equity Lines of Credit	16,453	4.8%
Commercial Loans	9,642	2.8%
Multifamily (5 or more) Residential Properties	3,968	1.2%
Construction and Land Development Loans	2,745	0.7%
Farm Loans	349	0.1%
Total Gross Loans	343,762	100.0%

Source: September 30, 1999 FDIC Call Report.

In addition, the bank sells fixed rate loans in the secondary market to Freddie Mac. In 1998, the bank sold 51 loans totaling \$6.4 million. No loans were sold in 1999.

Florence Savings Bank operates in a very competitive market. Local competitors include but are not limited to the following: Northampton Co-Operative Bank, Easthampton Savings, United Bank, Peoples Bank, and Fleet Bank, as well as representatives of regional and national mortgage companies. The market influence from these institutions

appears to be significant, and as a result serves to keep the bank's rates and services offered competitive.

Market share information obtained from CRA WIZ, based on 1998 aggregate performance data indicates that the bank was ranked first in total originations and purchased loans within its assessment area. In addition, the bank is ranked first in lending to low and moderate-income applicants, and first in lending in low and moderate-income census tracts within its assessment area.

The bank's CRA Committee is comprised of the Vice President Compliance/CRA Officer, President & CEO, Executive Vice President of Operations, Senior Vice President of Lending, Senior Vice President and Treasurer, Senior Vice President of Retail Banking, Vice President and Mortgage Loan Officer, Vice President and Marketing Officer, Loan Administrative Assistant, four Trustees and three Corporators. The Committee had one meeting in the last quarter of 1998 and met twice in 1999. The CRA Committee is responsible for overseeing the bank's CRA and fair lending efforts.

The Federal Deposit Insurance Corporation (FDIC) last examined the bank's performance with respect to the Community Reinvestment Act (CRA) on November 16, 1998. That examination resulted in an overall rating of Outstanding. The Division of Banks last examined the bank's performance with respect to CRA on October 14, 1997. That examination resulted in an overall rating of Outstanding.

The bank's ability to meet community credit needs remains strong based on its financial condition and size. Furthermore, there are no legal impediments inhibiting the bank's ability to meet the assessment area's credit needs.

Description of Northampton

The City of Northampton is located in western Massachusetts, and is bordered by the Town of Easthampton on the south, the Town of Westhampton on the west, the towns of Williamsburg and Hatfield on the north, and is separated from the Town of Hadley on the east by the Connecticut River. The city is 93 miles from Boston, and 43 miles from Pittsfield, Massachusetts.

The Town of Amherst has the largest population of any municipality in Florence Savings Bank's assessment area with a population of 35,228 in 1990. The bank does not operate a branch office in Amherst however, the bank does operate a full service branch in the Town of Hadley. This office is adjacent to Route 9, a heavily traveled route between the City of Northampton and the Town of Amherst.

Description of Assessment Area

The Community Reinvestment Act (CRA) requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The Office of Management and Budget establishes Metropolitan Statistical Areas (MSAs) for statistical reporting purposes by federal agencies. The bank's assessment area contains eight cities and towns located in the Springfield MSA and seven towns located in Non-Metropolitan Statistical Areas. The assessment area is a contiguous whole and the city and towns are located in Hampshire County.

Florence Savings Bank's assessment area consists of the following city and towns:

- Springfield MSA: the towns of Amherst, Hadley, Hatfield, Williamsburg, Chesterfield, Huntington, Easthampton, Southamptton, and the City of Northampton.
- Non-MSA: the towns of Westhampton, Chesterfield, Goshen, Plainfield, Cummington, Worthington, and Middlefield.

The assessment area is comprised of 25 census tracts, of which 1 or 4.0% is designated as low-income; 1 or 4.0%, as moderate-income; 13, or 52.0%, as middle-income; 6 or 24.0%, as upper-income, and 4 or 16.0% have no income designation. Northampton and Amherst contain the most census tracts, including the one low-income census tract and the one moderate-income census tract. The 4 census tracts with no income designation are #8208.02 (Hampshire College) in Amherst, 8218.00 (United States Veterans Administration Hospital at Leeds) in Northampton, #8219.00 (contains no housing and several small businesses) in Northampton, and #8221.00 (Northampton State Hospital) in Northampton. It should be noted that the census tracts with no income designation are not used in the analysis of the bank's loan activity.

The location of the one low and one moderate-income census tracts within the bank's assessment area have limited lending opportunities. The sole low-income tract located in Amherst is the site of the University of Massachusetts. The sole moderate-income tract in Amherst consists of student and faculty rental housing for the university.

The assessment area consists of a diverse make-up of rural communities and college towns. Some towns are rural in character, which has resulted in limited lending opportunities. Other towns are home to a large number of colleges and universities. For example, the town of Amherst is the location of the University of Massachusetts and Hampshire College. Smith College is located in Northampton. The colleges and universities in these communities account for the high proportion of rental properties as described below.

According to the 1990 Census, the total population of the assessment area is 102,558 individuals, and the median family income in the assessment area is \$41,528. There are 36,246 housing units within the assessment area, of which 53.7 percent are owner-

occupied, 41.7 percent are rental, and 6.0 percent are vacant. The median home value in the assessment area is \$138,950. In addition, the assessment area includes 20,977 family households of which 16.9 percent are low-income, 16.0 percent are moderate-income, and 24.1 middle-income, and 43.0 are upper-income. Approximately 6.1 percent of the families are below the poverty level.

Two community contacts conducted during the examination provided relevant information on the assessment area. The contacts were conducted in Northampton and Chesterfield and included one organization whose primary goals are to address the economic, educational, and social needs of the individuals, and the other organization whose goal is to provide safe, decent and affordable housing.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

LENDING TEST

The lending test evaluates a bank's record of helping to meet the credit needs of its assessment area through its lending activities by considering a bank's home mortgage, small business, small farm and community development lending. The bank's lending performance is determined by factors such as the volume of the institution's loans within its assessment area, particularly to low and moderate-income borrowers and geographies; the amount of small business loans originated to businesses with annual revenues less than \$1 million; the institution's responsiveness to community development lending; the use of innovative and flexible lending practices; fair lending policies and practices; and the effects of the institution's lending on affordable housing. Based on these factors, Florence Savings Bank's lending performance is considered to be "Outstanding". The following information details the data compiled and reviewed, as well as conclusions on the bank's performance.

I. Lending Activity

Florence Savings Bank's lending activity and record of extending credit were reviewed during the course of this examination.

The bank's lending levels reflect an excellent responsiveness to the assessment area's credit needs. The bank's assets totaled \$434,664,000 as of September 30, 1999. Gross loans totaled \$343,762,000, representing 79.1 percent of total assets. As of September 30, 1999, the bank's net loan to deposit ratio was 95.5 percent .

In 1998, Florence Savings Bank originated and purchased 511 mortgages within its assessment area, which represented 15.0 percent of the market share. The bank was ranked number one in market share for HMDA reportable loans in its assessment area.

II. *Geographic Distribution*

HMDA-Reportable Lending

Florence Savings Bank's 1998 and 1999 Loan Application Registers (LARs) were reviewed to determine the amount of credit extended within the bank's assessment area. During this period, the bank originated and purchased 1,489 HMDA-reportable loans totaling approximately \$158,953,000. Of this amount, 1,135 loans, or 76.2 percent of the number and \$121,348,000 or 76.3 percent of the dollar volume was originated and purchased in the bank's assessment area.

By number, Northampton, accounted for the largest number of originations with 30.4 percent, followed by Amherst with 12.9 percent. Northampton also accounted for the largest dollar volume of originations with 31.1 percent, followed by Amherst with 14.0 percent. Refer to the following tables for additional information regarding the bank's HMDA-reportable lending, by both number and dollar volume.

HMDA-Reportable Loans by Number of Originations and Purchases

Location	1998		1999		Totals	
	#	%	#	%	#	%
Northampton	200	29.4%	252	31.2%	452	30.4%
Amherst	95	13.9%	97	12.0%	192	12.9%
Williamsburg*	62	9.1%	90	11.1%	152	10.2%
Easthampton	54	7.9%	81	10.0%	135	9.1%
Hadley	36	5.3%	27	3.3%	63	4.2%
Worthington**	25	3.7%	34	4.2%	59	4.0%
Hatfield	25	3.7%	28	3.5%	53	3.5%
Southampton	14	2.0%	15	1.9%	29	1.9%
Inside Assessment Area	511	75.0%	624	77.2%	1,135	76.2%
Outside Assessment Area	170	25.0%	184	22.8%	354	23.8%
Total	681	100.0%	808	100.0%	1,489	100.0%

Source: HMDA/LAR Data for the period 1/1/98 to 12/31/99

* Williamsburg shares the same census tract with the towns of Huntington, Westhampton, Chesterfield, and Goshen

** Worthington shares the same census tract with the towns of Cummington, Plainfield, and Middlefield

HMDA-Reportable Loans by Dollar Volume of Originations and Purchases

Location	1998		1999		Totals	
	\$ (000)	%	\$ (000)	%	\$(000)	%
Northampton	20,720	29.7%	28,652	32.2%	49,372	31.1%
Amherst	10,485	15.0%	11,845	13.3%	22,330	14.0%
Williamsburg*	5,502	7.9%	9,737	10.9%	15,239	9.6%

Easthampton	4,776	6.8%	6,821	7.7%	11,597	7.3%
Hadley	4,496	6.4%	3,427	3.8%	7,923	5.0%
Worthington**	2,228	3.2%	3,827	4.3%	6,055	3.8%
Hatfield	2,491	3.6%	3,418	3.8%	5,909	3.7%
Southampton	1,399	2.0%	1,524	1.7%	2,923	1.8%
Inside Assessment Area	52,097	74.6%	69,251	77.7%	121,348	76.3%
Outside Assessment Area	17,693	25.4%	19,912	22.3%	37,605	23.7%
Total	69,790	100.0%	89,163	100.0%	158,953	100.0%

Source: HMDA/LAR Data for the period 1/1/98 to 12/31/99.

* Williamsburg shares the same census tract with the towns of Huntington, Westhampton, Chesterfield, and Goshen

** Worthington shares the same census tract with the towns of Cummington, Plainfield, and Middlefield

As indicated in the above tables, the majority of loans, by number and dollar volume, for 1998 and 1999, were originated and purchased inside the bank's assessment area.

Small Business Lending

Florence Savings Bank's 1998 and 1999 Small Business Loans Registers (SBLRs) were reviewed to determine the amount of credit extended within the assessment area. For purposes of this loan register, a small business loan is defined as "a loan with an original amount of \$1 million or less that is: secured by non-farm nonresidential properties; or commercial and industrial loans to US addressees, as defined in the FDIC Call Report Instructions". The bank originated 268 small business loans totaling \$19,964,000 during this period. A total of 243 loans totaling \$18,155,000 were originated to businesses within the bank's assessment area, representing 90.7 percent by number and 90.9 percent by dollar volume. It should be noted that two loans in the amounts of \$10,000 and \$20,000, were small farm loans originated in 1998 and 1999 and were included in the small business analysis. Refer to the following tables for additional information regarding the bank's small business lending, by both number and dollar volume.

Small Business Loans by Number of Originations

Location	1998		1999		Totals	
	#	%	#	%	#	%
Northampton	58	43.9%	67	49.3%	125	46.6%
Amherst	23	17.4%	13	9.6%	36	13.4%
Williamsburg*	19	14.4%	12	8.8%	31	11.6%

Hadley	11	8.3%	13	9.6%	24	9.1%
Easthampton	5	3.8%	9	6.6%	14	5.2%
Hatfield	1	0.8%	5	3.7%	6	2.2%
Worthington**	5	3.8%	1	0.6%	6	2.2%
Southampton	1	0.8%	0	0.0%	1	0.4%
Inside Assessment Area	123	93.2%	120	88.2%	243	90.7%
Outside Assessment Area	9	6.8%	16	11.8%	25	9.3%
Total	132	100.0%	136	100.0%	268	100.0%

Source: Small Business Loan Registers for the period 1/1/98 to 12/31/99.

*Williamsburg shares the same census tract with the towns of Huntington, Westhampton, Chesterfield, and Goshen

**Worthington shares the same census tract with the towns of Cummington, Plainfield, and Middlefield

Small Business Loans by Dollar Volume of Originations

Location	1998		1999		Totals	
	\$ (000)	%	\$ (000)	%	\$ (000)	%
Northampton	5,977	52.0%	4,613	54.4%	10,590	53.0%
Hadley	1,000	8.7%	1,391	16.4%	2,391	12.0%
Amherst	1,765	15.4%	522	6.1%	2,287	11.5%
Williamsburg*	870	7.6%	432	5.1%	1,302	6.5%
Easthampton	401	3.5%	583	6.9%	984	4.9%
Worthington**	288	2.5%	36	0.4%	324	1.6%
Hatfield	20	0.2%	217	2.6%	237	1.2%
Southampton	40	0.3%	0	0.0%	40	0.2%
Inside Assessment Area	10,361	90.2%	7,794	91.9%	18,155	90.9%
Outside Assessment Area	1,122	9.8%	687	8.1%	1,809	9.1%
Total	11,483	100.0%	8,481	100.0%	19,964	100.0%

Source: Small Business Loan Registers for the period 1/1/98 to 12/31/99.

* Williamsburg shares the same census tract with the towns of Huntington, Westhampton, Chesterfield, and Goshen

** Worthington shares the same census tract with the towns of Cummington, Plainfield, and Middlefield

As demonstrated above, a substantial majority of HMDA-reportable and small business loans were originated or purchased inside the bank's assessment area.

III. Distributions by Census Tract Income Level

HMDA-Reportable Lending

HMDA-reportable loans located within the bank's assessment area were further analyzed to determine the location by census tract income level. The assessment area is comprised of 25 census tracts: 4 or 16.0 percent are designated as NA; 1 or 4.0 percent as low-income; 1 or 4.0 percent as moderate-income; 13 or 52.0 percent as middle-income; and 6 or 24.0 percent as upper-income.

The four census tracts designated as NA were not used to evaluate the bank's performance in this category due to the institutional nature of the tracts, as described in the performance context.

The following table provides a breakdown, by number, of the bank's HMDA-reportable loans within its assessment area according to census tract income level. The table also shows the number of loans in comparison to the number of owner-occupied housing units in each census tract income category.

Distribution of HMDA-Reportable Loans by Census Tract Income Level

Census Tract Income Level	Owner-Occupied Properties		1998		1999		Total	
	#	%	#	%	#	%	#	%
Low	0	0.0	1	0.2	1	0.2	2	0.2
Moderate	774	4.0	26	5.1	14	2.2	40	3.5
Middle	13,245	68.0	376	73.6	473	75.8	849	74.8
Upper	5,452	28.0	108	21.1	136	21.8	244	21.5
Total	19,471	100.0	511	100.0	624	100.0	1,135	100.0

Source: HMDA/LAR Data for the period 1/1/98 to 12/31/99.

As shown in the above table, 0.2 percent of the bank's total loans in 1998 and 1999 were within low-income census tracts and 3.5 percent were within moderate-income census tracts. The 3.5 percent of loans made in the moderate-income tracts are proportional to the 4.0 percent of owner-occupied housing units. Similarly, the above data indicates that the percentage of loans in middle and upper-income census tracts, 74.8 percent and 21.5 percent respectively, is somewhat proportional to the percentage of owner-occupied properties in these areas.

Florence Savings Bank's distribution of loans is somewhat more consistent with the distribution of census tracts within the bank's assessment area. The bank's assessment area contains only one low-income and one moderate-income census tract, thus resulting in the extremely low representation of loans within these areas. The majority of census tracts or 52 percent of all tracts are middle-income tracts; followed by upper-income census tracts at 24 percent of all tracts. Thus the bank's performance in this regard appears to be more affected by this distribution

The geographic distribution of the bank's loans by census tract income category may also be compared to that of all other HMDA-reportable lenders in the assessment area. Other HMDA-reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. The

most recent data available for this analysis relates to calendar year 1998 and is presented in the following table.

Distribution of HMDA-Reportable Loans by Census Tract Income Level
Florence Savings Bank Compared to All Other HMDA Reporters

Census Tract Income Level	Number of Loans				Dollar Amount of Loans			
	Florence Savings Bank		All Other Reporters		Florence Savings Bank		All Other Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
Low	1	0.2%	5	0.2%	114	0.2%	494	0.2%
Moderate	26	5.1%	98	4.0%	3,067	5.9%	12,802	5.0%
Middle	376	73.6%	1,514	62.0%	37,723	72.4%	156,660	60.9%
Upper	108	21.1%	714	29.3%	11,193	21.5%	78,239	30.4%
NA	-	-	109	4.5%	-	-	8,926	3.5%
Total	511	100.0%	2,440	100.0%	52,097	100.0%	257,121	100.0%

Source: HMDA/LAR Data for the period 1/1/98 to 12/31/98.

As demonstrated above, the percentage of the bank's lending activity in low-income census tracts, by both number and dollar amount reflects that of the aggregate. The percentage of the bank's lending activity in moderate-income census tracts however, by both number and dollar amount, marginally exceeds that of the aggregate. Similarly, the above table also demonstrates that the bank's HMDA-reportable loans in middle-income census tracts surpass the aggregate. Only in the upper-income census tracts does the bank fall below that of aggregate. It should be noted however that there are a large number of loans originated by other reporters with no income designation. The presence of this N/A factor may affect the aggregate distribution.

In 1998, Florence Savings Bank ranked 1st in market share for lending in low and moderate-income census tracts within its assessment area. The bank originated 27 HMDA-reportable loans in these census tracts, representing 16.8 percent of the market share. These numbers support Florence Savings Bank commitment to lending to all areas of the assessment area, especially low and moderate areas.

Small Business Lending

Florence Savings Bank's small business loans were analyzed to determine the distribution by census tract income level within its assessment area. The following tables depict this distribution.

Distribution of Small Business by Census Tract Income Level

Census Tract Income Level	1998		1999		Total	
	#	%	#	%	#	%

Low	1	0.8%	0	0.0%	1	0.4%
Moderate	2	1.7%	1	0.8%	3	1.2%
Middle	114	92.6%	111	92.5%	225	92.6%
Upper	6	4.9%	8	6.7%	14	5.8%
Total	123	100%	120	100%	243	100%

Source: Small Business Loan Registers for the period 1/1/98 to 12/31/99.

As shown above, the bank originated 1.6 percent of the number of its small business loans in low and moderate-income census tracts. The dollar volume of those loans originated in low and moderate-income census tracts is 0.4 percent. The majority of the loans were extended to businesses in middle-income census tracts.

Based on the above information, the bank's dispersion of HMDA-reportable and small business loans by census tract income level reflects an excellent penetration of low and moderate-income census tracts.

IV. Borrower Characteristics

The bank's residential loans were further analyzed to determine the distribution of lending by borrower income level. Borrowers' reported incomes were compared to the median family incomes of the Springfield and Non Metropolitan Statistical Areas (MSAs), depending on the location of the property. These income figures are based on estimated Department of Housing and Urban Development (HUD) information. Refer to the following table for a breakdown of the estimated 1998 and 1999 HUD information.

MSA	1998	1999
Springfield	\$45,500	\$46,400
Non MSA	\$44,900	\$46,400

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

The following table shows the number of HMDA-reportable loans granted to low, moderate, middle and upper-income borrowers in comparison to the number of family households in the assessment area in each respective income group.

Distribution of HMDA-Reportable Loans to Borrowers of Different Income Levels

Borrower	Total Families	1998	1999	Total
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Income Level	#	%	#	%	#	%	#	%
< 50%	3,550	16.9%	15	2.9%	29	4.7%	44	3.9%
50 – 79%	3,366	16.0%	78	15.3%	90	14.4%	168	14.8%
80 – 119%	5,044	24.0%	134	26.2%	158	25.3%	292	25.7%
> = 120%	9,017	43.1%	274	53.6%	333	53.4%	607	53.5%
NA	-	-	10	2.0%	14	2.2%	24	2.1%
Total	20,977	100.0%	511	100.0%	624	100.0%	1,135	100.0%

Source: HMDA/LAR Data for the period 1/1/98 to 12/31/99.

As the above table indicates, in 1998 the bank made a total of 93 loans to low to moderate-income borrowers, representing 18.2 percent of all loans made. Similarly in 1999, the bank made 119 loans to borrowers in these income categories, or 19.1 percent. This performance is significant in terms of its penetration of low and moderate-income individuals. Although proportionately less than the representation of families in the categories of low and moderate-income levels, this performance is mitigated by the presence of a large number of students, as well as the large proportion of renters which fall within the low and moderate-income groups.

The bank's distribution of lending to middle-income borrowers is noteworthy in comparison to its lending to low and moderate-income level borrowers; and is furthermore consistent with the proportion of families that are categorized as middle-income or 24.0 percent. At 26.2 percent and 25.3 percent of all loans respectively in 1998 and 1999, the bank's lending to middle-income borrowers is reasonable. The bank's lending to borrowers of upper-income although somewhat above the proportion of upper-income families is reasonable at 53.6 percent and 53.4 percent respectively in 1998 and 1999.

The distribution of the bank's loans among various borrower income levels may also be compared to that of all other HMDA-reportable lenders in the assessment area. As previously mentioned, other HMDA-reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. The most recent data available for this analysis relates to calendar year 1998 and is presented in the following table.

Lending to Borrowers of Different Income Levels
Florence Savings Bank Compared to All Other HMDA-Reporters

Borrower Income Level	Number of Loans				Dollar Amount of Loans			
	Florence Savings Bank		All Other Reporters		Florence Savings Bank		All Other Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
< 50%	15	2.9%	45	1.8%	561	1.1%	2,661	1.0%
50 – 79%	78	15.3%	239	9.8%	4,903	9.4%	16,675	6.5%
80 – 119%	134	26.2%	618	25.3%	11,019	21.1%	54,940	21.4%
> = 120%	274	53.6%	1,302	53.4%	33,854	65.0%	156,663	60.9%

NA	10	2.0%	236	9.7%	1,760	3.4%	26,182	10.2%
Total	511	100.0%	2,440	100.0	52,097	100.0%	257,121	100.0%

Source: HMDA Data for the period 1/1/98 to 12/31/98.

The distribution of the bank's residential loans to low-income borrowers is favorable when compared to that of all other HMDA-reporters within the assessment area. As shown above, the bank's percentage of lending to borrowers of low-income is consistent with that of the aggregate by dollar amount and exceeds that by number for 1998. The bank originated 2.9 percent by number and 1.1 percent by dollar amount of the total loans within the assessment area to borrowers of low-income, compared to the aggregate with 1.8 percent by number and 1.0 percent by dollar amount.

HMDA-reportable loans to moderate-income borrowers accounted for 15.3 percent by number and 9.4 percent by dollar amount within the assessment area. Both number and dollar amount exceed that of the aggregate. Lending in the middle and upper-income level categories was comparable to the aggregate. Again, the presence of a large number of N/A's may have an affect on aggregate performance.

The distribution of HMDA-reportable loans by borrower income demonstrates the bank's willingness to lend to borrowers of all income levels, particularly those of low and moderate-income.

It should be noted that in 1998 and 1999 the bank originated 21 and 14 soft second loans, respectively, to low and moderate-income borrowers. In accordance with reporting guidelines, these loans were reported twice along with the first mortgage loans originated on the HMDA-LAR. In 1998, the 21 soft second loans accounted for 23 percent of the total loans to low and moderate-income borrowers. In 1999, the 14 soft second loans accounted for 12 percent of the total loans to low and moderate-income borrowers. Although the inclusion of the Soft Second loans has the effect of inflating the bank's performance in lending to low and moderate income individuals, it has not affected its comparative performance since Florence Savings Bank continues to outperform its peers in lending to low and moderate-income individuals, even when the soft-second mortgages are considered.

As previously noted, Florence Savings Bank ranked first in market share for its HMDA-reportable lending in 1998. With respect to lending to low and moderate-income borrowers, the bank also ranked first within its assessment area. The bank originated 93 HMDA-reportable loans to borrowers within the assessment area in these income groups, capturing 22.0 percent of the market. This percentage demonstrates the institution's willingness to lend to all segments of the population, especially low and moderate-income individuals.

Small Business Lending

The small business loans originated within the bank's assessment area in 1998 and 1999 were further analyzed to determine the typical loan amount at origination. The majority of the 243 small business loans originated in the bank's assessment area, during this time period, had original loan amounts of \$100,000 or less. The following table depicts the distribution of small business loans within the bank's assessment area by loan amount at origination.

Number of Small Business Loans at Origination

Loan Amount	1998		1999		Total	
	#	%	#	%	#	%
< = \$100,000	99	80.4%	98	81.7%	197	81.1%
> \$100,000 and < = \$250,000	12	9.8%	17	14.2%	29	11.9%
> \$250,000	12	9.8%	5	4.1%	17	7.0%
Total	123	100%	120	100%	243	100%

Source: Small Business Loan Registers for the period 1/1/98 to 12/31/99.

By dollar amount, 38.7 percent of the loans had amounts less than or equal to \$100,000 and 33.8 percent had loan amounts between \$100,000 and \$250,000. The remaining 27.5 percent had loan amounts greater than \$250,000.

Small business loans were also analyzed to determine the distribution among businesses of various sizes. The majority of small business loans originated were granted to small

businesses whose annual revenues were \$1 million or less. The following tables depict the distribution of small business loans within the bank's assessment area by revenues of the business.

Number of Small Business Loans By Revenues of the Business

Annual Business Revenues	1998		1999		Total	
	#	%	#	%	#	%
< = \$1,000,000	81	65.9%	90	75.0%	171	70.4%
> \$1,000,000	40	32.5%	26	21.7%	66	27.1%
NA	2	1.6%	4	3.3%	6	2.5%
Total	123	100%	120	100%	243	100%

Source: Small Business Loan Registers for the period 1/1/98 to 12/31/99.

In conclusion, the bank's lending to borrowers of different income levels, especially those of low and moderate-income, and to businesses of different sizes reflects an excellent performance.

IV. Community Development Lending

Florence Savings Bank has granted a significant level of qualified community development loans. As defined in the revised CRA regulation, a community development loan has as its primary purpose: affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, or activities that revitalize or stabilize low and moderate-income geographies. In addition, unless it is for a multifamily dwelling (five or more units), the loan must not be reported as a home mortgage or small business loan. Described below are four loans totaling \$2,100,000 that were reported by the bank as community development loans

HAMPSHIRE EDUCATIONAL COLLABORATIVE INC., (HEC)

HEC, established in 1974, provides educational services to 15 towns and school districts, primarily within FSB's assessment area. The collaborative was formed by member school systems for the purpose of pooling resources to maximize educational quality, particularly in the areas of occupational and career education in dealing with children with special needs. The total number of students served is 140, of which 75, or 59 percent, are low-income.

Two loans, totaling \$1,900,000 were granted to HEC. One of the loans in the amount of \$1,250,000, was for the acquisition and remodeling of a building in Northampton, to be used as administrative offices, and the other is a \$650,000 line of credit for operating capital. Funding for the project was via the issuance of a \$1,250,000

Industrial Revenue Bond by the Massachusetts Development Finance Agency, which was purchased by FSB.

HILLTOWN COMMUNITY DEVELOPMENT CORPORATION (HCDC)

HCDC was formed in 1981 to promote rural cooperation to improve the quality of life for people living in the Hilltowns. HCDC is a private, non-profit corporation that provides businesses services, housing services and community services, including technical assistance, and housing rehabilitation and childcare services.

The HCDC offers an affordable housing program for first time homebuyers in the Hilltowns. The program is an extension of the HCDC's current Housing Rehabilitation Program, whereby low and moderate-income homeowners can obtain loans to repair their homes. Under HCDC's new Homeownership Development Program, HCDC acquires homes, rehabilitates them and subsequently sells them at affordable prices to low and moderate-income first time homebuyers.

On April 29, 1999 FSB originated a demand loan to HCDC for \$175,000 to renovate six units of rental housing. There is a stipulation that 4 of the 6 units be rented to individuals with a median family income of 80 percent or less.

VALLEY COMMUNITY DEVELOPMENT CORPORATION (VALLEY CDC)

Valley CDC is a non-profit community organization that provides economic opportunities, by encouraging community development leadership and the development of affordable housing. The organization is MHFA-certified to provide home ownership counseling and education, and offers grant assistance for down payment and closing costs to very low income families in Amherst, Easthampton, Hadley, and Northampton and contiguous communities.

On November 22, 1999 Florence Savings Bank granted a \$25,000 Guidance Line of Credit that will remain in effect through December 31, 2000. This facility requires that all advances support a specific request and be evidenced by individual time notes with maturity dates not to exceed 120 days.

Two additional loans were originated during 1999 that did not meet the definition of community development lending, but which provided benefits to the community. One was a \$108,000 loan to a non-profit organization for the purchase of 169 acres of woodland in Cummington, to be set aside as a protected area. The other was an \$80,000 loan to a non-profit organization that provides housing and job opportunities to individuals released from State hospital and psychiatric facilities.

V. Innovative or Flexible Lending Practices

Florence Savings Bank designs and participates in loan programs aimed at meeting the credit needs of low and moderate-income homebuyers and small businesses. Details of these programs are as follows.

Mortgage Loan Programs

In-house First Time Homebuyer Program

The bank offers a first time homebuyers (FTHB) program for borrowers who have not owned a home within the past three years. The program offers a 5/1 Adjustable Rate Mortgage (ARM) with a 30-year term, flexible underwriting standards, and a lower down payment requirement. No points or appraisal fee is charged. There are limits placed on the applicants' income and on the maximum purchase price. According to data supplied by the bank during 1999, FSB originated 53 FTHB loans, totaling \$ 4,891,475.

Government-Sponsored Loan Programs

Along with the bank's own in-house homebuyer programs, the bank participates in government-sponsored programs designed for low and moderate-income borrowers, first-time homebuyers and small businesses.

Massachusetts Housing Finance Agency (MHFA)

Florence Savings Bank participates in the Massachusetts Housing Finance Agency (MHFA) general obligation mortgage loan program. This program offers up to 97% loan-to-value (LTV) ratios for single and two-family properties, below market fixed interest rates and expanded qualifying ratios of 33% and 38%. This is a recognized and successful program, which assists and targets priority borrowers including low and moderate-income families; 50% of the funding is set aside for priority borrowers. During 1999, FSB originated 6 MHFA loans totaling \$527,750.

Massachusetts Housing Partnership

The bank participates in the Soft Second Program, offered in conjunction with the Massachusetts Housing Partnership and the Hampden-Hampshire Housing Partnership, which offers first time homebuyers a 30 year fixed rate first mortgage in conjunction with a soft second mortgage. These loans are targeted to low- and moderate-income first time homebuyers. A minimum 5 percent down payment is required, of which 2 percent can be a gift. Higher debt and housing ratios are

permissible than under conventional financing. Repayment of the second mortgage can be deferred, with only interest payments required. During 1998, FSB originated 26 "soft seconds" totaling \$506,388, and in 1999, originated 21 "soft seconds", totaling \$435,540. The first mortgages that were originated in conjunction with the "soft seconds" totaled \$1,562,722.

Farmers Home Administration (FmHA)

FSB participates in the Farmers Home Administration (FmHA) Guaranteed Rural Housing (GRH) program, which offers 30 year fixed mortgages to low- and moderate-income borrowers, requiring no down payment, and offering more liberal underwriting standards than conventional mortgages. No appraisal fee is charged. This program is offered only to residents of designated rural communities, which include the following towns within the bank's assessment area - Williamsburg, Huntington, Goshen, Plainfield, Cummington, Worthington, Southampton, Westhampton, Hadley, Hatfield and Middlefield. The bank originated one GRH mortgage during 1999 for \$87,000.

In addition, Florence Savings Bank will deposit \$250 to new/existing deposit accounts for borrowers who sign up for automatic deduction of their mortgage payment. In 1999, FSB originated 33 loans under this program.

Prequalifications

In addition to its first time homebuyer products, FSB offers mortgage prequalifications. There is no application fee and the rate is locked for 90 days. Subsequent to an application, the customer receives a coupon redeemable for a free appraisal and credit report when purchasing a new home and financing the purchase through Florence Savings Bank.

Small Business Lending

Florence Savings Bank participates in Small Business Administration (SBA) lending programs, extending loans under the 7(a) Guaranteed and 504 loan programs, as detailed below. In addition, the bank participates in the Capital Access Program administered by the Massachusetts Business Development Program and is also detailed below.

Small Business Administration's (SBA) Program

FSB is a certified lender for the Low-Doc, 7a, and 504 SBA programs. Through the bank's participation with the SBA, small businesses may obtain loans at below market rates or with little documentation and limited processing time, which makes credit more readily available. The Low-Doc Loan Program offers a three-day processing period and a streamlined application. The 7a Program offers a variety of loan types to small

businesses relying heavily on character and credit history, while the 504 Program offers long-term, low-interest, fixed-rate loans for the purchase of tangible assets such as land and buildings. Participating institutions receive a guarantee on the funds loaned under the program to reduce some of the risk of lending to small businesses. FSB is the only SBA Preferred Lender in Western Massachusetts, and one of only nine in the state. Preferred Lender status permits the bank to give the final loan authority, shortening the

time needed to gain approval. In 1998, FSB granted 22 loans totaling \$1,651,500, and during 1999, FSB originated 41 SBA guaranteed loans totaling \$2,426,550.

Capital Access Program

FSB participates in the Capital Access Program administered by the Massachusetts Business Development Program (MBDC). This loan program is designed to provide access to various flexible lending products to small businesses. The program utilizes a portfolio reserve to offer protection to the bank, funding the reserve through payments at origination by the borrower and the bank, with matching contributions by the MBDC. In 1998, six loans worth \$135,000 were originated; and during 1999, FSB originated two Capital Access loans, totaling \$100,000.

FSB also offers several loan programs to low and moderate-income borrowers, which have not resulted in any originations during 1999. These include the FSB Septic Loan Program, targeting low-income borrowers requiring septic system repairs, and Homeowner Options for Massachusetts Elders (HOME), which allows qualified persons over 60 years of age to obtain a reverse mortgage to meet cash needs. FSB also offers a Home or Business Modification Loan Program, which assists in obtaining credit to modify homes and businesses to better meet the needs of disabled homeowners, business employees and customers. No points or fees are charged, no down payment is required, and the loan is unsecured. No loans were originated under this program in 1999.

VI. FAIR LENDING POLICIES AND PRACTICES

Florence Savings Bank has a formal Community Reinvestment and Fair Lending Policy, which is reviewed by the Board of Directors annually. This policy, in part, considers the guidelines established by Regulatory Bulletin 2.3-101, the Division's Fair Lending Policy.

Detailed below are the bank's fair lending and practices as they correlate to the guidelines established by the above Regulatory Bulletin.

STAFF TRAINING

The bank conducts fair lending and compliance training throughout the year. Twice a year the Compliance Officer presents equal credit and compliance issues to the board.

New employees receive training on fair lending and equal credit and receive a summary of the bank's CRA mission statement and CRA policy.

STAFF COMPOSITION AND COMPENSATION

According to 1990 Census Data, the bank's assessment area contained a total population of 102,558 individuals, of whom 9.0 percent are minorities. The bank currently employs 149 individuals, of whom 5.4 percent are minorities: 0.7 percent are Black 2.0 percent are Hispanic, 2.0 percent are Asian, and 0.7 percent are Native American.

Currently, there are 15 bilingual employees to assist the non-English speaking customers and potential customers at the bank. Second languages include Creole, French, German, Italian, Portuguese, Cape Verdean, Hindi, Korean, Punjabi, Gujarati, Sign, and Spanish.

The bank has 18 employees who handle loan originations and are paid an annual salary with no commission structure. The number of employees includes branch managers, assistant branch managers, and a business development officer.

OUTREACH

The bank ascertains community credit needs through its support and involvement in community organizations.

In an effort to determine the credit needs of the entire assessment area, bank officers, management and bank staff have developed relationships with many local community organizations. Examples of these organizations include: Habitat for Humanity, the Salvation Army of Amherst and Hadley, Jessie's House, Hampshire County Interfaith Community Cot Shelter, Highland Valley Elder Services, Northampton Housing Partnership, Community Trust, various United Way Organizations and several Chambers of Commerce. Refer to the service test of this examination for further details of these organizations.

CREDIT PRODUCTS AND UNDERWRITING STANDARDS

Management periodically reviews its credit products and underwriting standards to ensure that the credit needs of the assessment area are being met. Florence Savings Bank offers flexible and government-subsidized and guaranteed loan programs. These products and programs are listed in the flexible lending section of this report.

The bank continues to utilize flexible underwriting standards and evaluate compensating factors consistent with safe and sound banking practices as outlined in the bank's Loan Policy. The bank regularly reviews its credit products to determine whether or not it is meeting the credit needs of its entire assessment area, including low and moderate-income areas.

MARKETING

The marketing strategy of Florence Savings Bank appears to adequately reach all segments of its assessment area. Print media is the primary method used to advertise the

bank's products and services. The bank advertises regularly in newspapers and publications serving its assessment area. The following is a sample of print media utilized: The Daily Hampshire Gazette, a daily publication serving the Hampshire County area, The Springfield Union News, a daily publication serving the Springfield area, The Springfield Republican, a Sunday publication serving the Greater Springfield area, The Amherst Bulletin, a weekly publication serving the town of Amherst, The County Journal, a publication serving the hill town population, and Business West, a monthly publication serving the business population.

In addition, the bank periodically advertises on 4 radio stations, which include WHMP, WRNX, WRSI, and WFCR (a public radio station) that cover various markets located within the assessment area. The bank advertises on billboards located on Rte. 9 in the town of Hadley and at the junctions of Rtes. 5 and 91 in Northampton

CREDIT EDUCATION

The bank conducts and participates in educational seminars on First Time Homebuyers for low and moderate-income individuals, within its assessment area. The purpose of these seminars is to educate individuals as to the credit products available that meet their specific needs. Please refer to the service test area for a detailed list of these seminars.

COUNSELING

The bank refers customers in need of credit counseling to the Consumer Credit Counseling Service of Massachusetts located in Springfield. Declined mortgage loan applicants along with borrowers experiencing credit problems are also referred to this credit-counseling agency.

SECOND REVIEW PRACTICES

It is the policy of the bank to re-examine loan mortgage applications facing adverse action to ensure that underwriting criteria have been properly and fairly applied and that all compensating factors that could contribute to loan approval have been taken into account.

Residential real estate loan applications and prequalifications are reviewed by a second lender not involved in the initial lending decision. The review is based on internally developed standards.

Consumer and commercial loans are reviewed informally, conducted by a second lender or the Credit Officer.

INTERNAL CONTROL PROCEDURES

The CRA Officer conducts a regular analysis of the bank's HMDA data. At least twice a year, an analysis is conducted which includes a demographic description of the bank's

assessment area, followed by various analyses of the lending data. Items such as geographic distribution, approval and denial rates, and demographic characteristics of the borrowers are addressed.

MINORITY APPLICATION FLOW

A review of residential loan applications was conducted in order to determine the number of applications the bank received from minorities. From January 1, 1998, through December 31, 1999, the bank received 1,276 residential loan applications from within its assessment area. During this period, 60 applications or 4.7% were received from minorities. Refer to the following table for further details.

Residential Application Flow

Race	1998		1999		Total	
	#	%	#	%	#	%
American Indian	1	0.2	1	0.1	2	0.2
Asian	2	0.3	17	2.5	19	1.5
Black	5	0.9	5	0.7	10	0.8
Hispanic	3	0.5	4	0.6	7	0.5
Joint	8	1.4	11	1.6	19	1.5
Other	2	0.3	1	0.1	3	0.2
Total Minority	21	3.6	39	5.6	60	4.7
White	549	94.3	638	91.9	1,187	93.0
No Information	12	2.1	17	2.5	29	2.3
Total	582	100.0	694	100.0	1,276	100.0

Source: PCI Services, Inc. CRA Wiz

Of the 60 mortgage applications received from minorities, a total of 48 or 80.0% resulted in originations. Of the remaining applications, 6 or 10.0% were denied and 2 or 3.3% were withdrawn.

The bank's minority application flow for this period was compared with the racial make-up of the assessment area and 1998 aggregate data for all HMDA reporters within the assessment area. The comparison of this data assists in deriving reasonable expectations for the institution's minority application flow. According to 1990 Census Data, the bank's assessment area contained a total population of 102,558 individuals of whom 9.0% are minorities. The minority population is 3.2% Hispanic, 1.9% Black, 3.7% Asian, 0.1% American Indian and 0.1% Other.

Aggregate information for 1998 indicated that, of the 3,937 HMDA-reportable applications received by all other lenders within the bank's assessment area in 1998, 4.4% were from minorities. The bank received 582 applications during the same period. Of these, 21 or 3.6 percent were from minorities.

Based upon the above, Florence Savings Bank's minority application flow is somewhat below that of the aggregate, but given the minority composition of its assessment area, appears to be reasonable overall.

CONCLUSION-FAIR LENDING

Florence Savings Bank's record of implementing and developing fair lending policies and practices is considered good. This is based on the following: the bank's efforts to market credit products to all segments of its assessment area; efforts to provide credit education to prospective mortgage applicants through support of first time home buyer seminars; efforts to promote consumer credit counseling; implementation of second review and internal control procedures; and efforts to offer a variety of credit products to meet the needs of different segments of the population.

VII. Loss of Affordable Housing

The bank's participation in community development projects and government lending programs, along with its development of credit products with flexible lending criteria has assisted low and moderate-income individuals to remain in their neighborhoods.

CONCLUSION (Lending Test)

Taking into account the number and amount of home mortgage and small business loans in its assessment area, Florence Savings bank has demonstrated excellent responsiveness to the assessment areas credit needs. A substantial majority of the bank's loans were made within its assessment area and were well distributed throughout the communities within the assessment area. The bank's lending also demonstrates an excellent distribution of loans among individuals of different income levels. The bank has a good record of serving businesses with gross annual revenues of \$1 million or less. The institution has granted a substantial level of community

development loans, and has used innovative and flexible lending practices to address the credit needs of low and moderate-income individuals and small businesses. In addition, the bank's fair lending performance was found to be good at this time. Therefore, the institution's lending performance receives an overall rating of Outstanding.

INVESTMENT TEST

As defined under the revised CRA regulation, a qualified investment is a lawful investment, deposit, membership share or grant that has community development as its primary purpose. Community development includes affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses

or small farms, and activities that revitalize or stabilize low and moderate-income geographies. Florence Savings Bank has been determined to have an Outstanding performance in this area. The following describes the institution's qualified investments.

Investments

Federal National Mortgage Association (FNMA)

In 1998, the bank purchased two FNMA loan pools, in which all or part of the loans are within the bank's assessment area, and the mortgages in the pools are to low and moderate-income borrowers. The loan pools had a total book value as of December 31, 1999, of \$353,909. See the table below for details.

FEDERAL NATIONAL MORTGAGE ASSOCIATION LOAN POOL'S

Instrument	Rate	Purchase Date	Purchase Par Value	Book Value 12/31/99	Location
Pool # 51967	6.5%	8/13/98	\$171,386	\$157,182	Easthampton, Wendell
Pool # 42922	6.5	9/14/98	\$216,625	\$196,727	Worthington, Erving, Greenfield
TOTAL			\$388,011	\$353,909	

Government National Mortgage Association (GNMA)

In 1998 the bank purchased four GNMA loan pools, in which all or part of the loans are within the bank's assessment area and the mortgages in the pools have a status of low to moderate-income. The loan pools had a total book value as of December 31, 1999, of \$469,397. See the table below for details.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION LOAN POOL'S

Instrument	Rate	Purchase Date	Purchase Par Value	Book Value 12/31/99	Location
Pool # 466005	6.0%	3/19/98	\$86,923	\$76,520	Florence
Pool # 2565	7.5%	3/19/98	\$173,750	\$106,875	Amherst, Greenfield
Pool # 002645	7.00%	9/21/98	\$111,161	\$96,986	Northampton
Pool # 484278	6.5%	9/21/98	\$102,607	\$100,877	Easthampton
Pool # 465952	7.5%	2/19/98	\$123,371	\$88,139	Orange, West Chesterfield
TOTAL			\$597,812	\$469,397	

Massachusetts Housing Finance Agency (MHFA)

On September 28, 1999 the bank purchased a loan pool, in which all or part of the loans are within the bank's assessment area, and the mortgages in the pools have a status of low to moderate-income. The loan pool had a total book value as of December 31, 1999, of \$473,176 and a rate of 5.4%.

Charitable Contributions

Florence Savings Bank has provided contributions to organizations that provide education and training, affordable housing, youth programs, and health and human services for individuals in need. In the year 1999, the bank provided \$71,979 in qualified contributions and grants, in support of community development, as defined under the revised CRA regulation. A portion of the donations were from the Florence Savings Charitable Foundation (FSCF), which was established in June 1998. The FSCF was established for the sole purpose of donating to the community, and had funding of \$1,418,000 as of July 31, 1998. As a result of the merger with Bank of Easthampton, FSB established a second charitable foundation, the Florence Savings/Easthampton Branch Charitable Foundation, in September 1999. While no donations from that foundation were made during 1999, it was funded with securities

having a market value of \$1,058,000, and will be required to make approximately \$50,000 in annual contributions.

The following are examples of these contributions:

- **Hampshire Community United Way:** Hampshire Community United Way is an umbrella organization whose main goal is to raise funds that support the programs and services provided by local health and human service agencies. While the dollars raised by United Way can support all income levels, funded agencies use their allocation to provide service for low and moderate-income level families primarily. In addition funds raised during the United Way campaigns help feed the hungry; provide quality childcare and after-school programs along with counseling and shelter for victims of domestic violence.
- **Northampton Affordable Housing Trust Fund:** A municipal trust fund organized for the city of Northampton to retain low and moderate-income units in a Northampton housing complex.
- **Hilltown Community Development Corporation (HCDC):** The HCDC offers an affordable housing program for first time homebuyers in the Hilltowns. The program is an extension of the HCDC's current Housing Rehabilitation Program, whereby low and moderate-income homeowners can obtain loans to repair their homes. Under HCDC's new Homeownership Development Program, HCDC acquires homes, rehabilitates them and subsequently sells them at affordable prices to low and moderate-income first time homebuyers.
- **Valley Community Development Corporation:** Valley CDC is a non-profit community organization that provides economic opportunities, by encouraging community development and the development of affordable housing. The organization is MHFA certified to provide home ownership counseling and education, and offers grant assistance for down payment and closing costs to very low income families in Amherst, Easthampton, Hadley, and Northampton and contiguous communities.
- **Western Mass Enterprise Fund:** This organization provides funding for start-up businesses, the purchase of existing businesses, and business expansion for micro and small businesses that are not sufficiently mature to qualify for traditional bank financing.
- **Habitat for Humanity:** This non-profit organization's focus is for the rehabilitation and development of 1-4 family dwellings for low and moderate-income individuals.

- **Hampshire County Interfaith Community Cot Shelter:** This facility is located in Northampton and provides food, shelter and other services to homeless individuals in the city of Northampton. In addition to monetary contributions, a team of volunteers from the bank staffs the shelter two evenings per month.
- **Food Bank of Western Massachusetts:** This private non-profit organization provides food to needy families in the area.
- **Consumer Credit Counseling of Massachusetts:** This non-profit organization provides financial counseling and educational programs for families and individuals. Services provided by this organization include seminars on budgeting, money management, and credit histories.
- **Jessie's House:** Jesse's House provides temporary housing to homeless women with children and to families. Because of FSB's participation in the Federal Home Loan Bank of Boston's (FHLBB) Community Investment Program, FHLBB also donated to the non-profit of FSB's choice, which was Jessie's House.

In addition, FSB donated eight bank surplus computers to the Hilltown Community Health Center's, Inc. (HCHC) and the Salvation Army. HCHC provides health care to rural residents in Hampshire County, including those in low-income healthcare programs such as MassHealth and Medicaid, and two programs dedicated to low-income children.

Conclusion - Investment Test

As depicted above, Florence Savings Bank has a significant level of qualified community development investments and grants, and has exhibited excellent responsiveness to credit and community economic development needs. Therefore, the bank's investment performance is rated Outstanding.

SERVICE TEST

The Service Test evaluates an institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of an institution's systems for delivering retail banking services and the extent and innovativeness of its community development services.

Florence Savings Bank's officers and staff at all levels have addressed community credit needs through their involvement in a wide range of community organizations, particularly those targeted to low and moderate-income individuals throughout the assessment area. The variety of products and services offered to consumers meets the needs of the communities served. The following details the institution's services.

Retail Banking

Florence Savings Bank's delivery systems are accessible to all portions of the assessment area. FSB operates six full-service branch offices. The main office is located in Florence, which is a village within the town limits of Northampton. The remaining branches are located in Easthampton, Hadley, Northampton (2), and Williamsburg. The Easthampton branch was acquired through a merger with Bank of Easthampton on September 17, 1999. All Bank of Easthampton employees were retained by FSB, and an expansion of the Easthampton branch is in the planning stages. The bank maintains three freestanding ATMs located in Amherst and Northampton (2). All of the branch and freestanding ATMs are located in middle-income census tracts with the exception of one Northampton branch, which is in an upper-income census tract. The ATMs are linked to the CIRRUS, NYCE, and MasterCard networks.

The bank's business hours are convenient to customers of the community. Drive-ups are offered at all the branches except the Main Street Office in Northampton.

Customers have access to a 24-hour account line, accessed by a touch tone telephone, which allows account history and balance inquiries, fund transfers, loan payments, and loan rate inquiries. FSB is a member of SUM ATMs, a surcharge free alliance of banks. While no Internet services were available during the exam period, FSB is planning to bring an interactive web site on line during February 2000, which will provide a range of informational and transactional loan and deposit services.

Currently, there are 15 bilingual employees to assist the non-English speaking customers and potential customers at the bank.

Products and Services

The bank participates in Basic Banking for Massachusetts, a program that encourages banks to provide low- cost banking products thereby expanding access for low and moderate-income individuals. FSB offers a free Basic Checking account, a low cost Basic Savings account and a School Savings account. A full range of loan products is also offered, including fixed and variable rate mortgages, home improvement and home equity loan products, secured and unsecured personal loans and passbook loans. The bank participates in the voluntary government check cashing program and the public assistance Direct Deposit program, available to recipients of social security, public assistance, and other programs involving recurring government payments. Services include safe deposit boxes, ACH and Direct Deposit, community room availability, and night deposit.

Florence Savings Bank maintains a Branch Opening and Closing Policy, which outlines the bank's procedures for opening and closing branches. The policy meets regulatory requirements concerning branch closing notification and policies. Since the last examination, no offices have been closed. However, as previously mentioned, on September 17, 1999, FSB merged with The Bank of Easthampton. The merger yielded one new branch located in Easthampton.

Community Development Services

The revised CRA regulation defines a community development service as a service whose purpose is primarily community development and is related to the provision of financial services. Through the participation of its directors, management and employees the bank is involved in providing support to local community development programs and projects. Through these involvements, the bank's staff lends their technical expertise, experience and judgment to these organizations. Detailed below is a sample of Florence Savings Bank's qualified community development services.

Involvement in Community Organizations

- **United Way of Hampshire County:** The bank has played a significant role in supporting this entity. This organization offers community services targeted to low and moderate-income individuals. Approximately 70% (estimated) of funds are directed to low and moderate-income individuals. The bank's President/CEO serves as the Co-Chairman for the Major Firms Division. Several Branch Managers and a Vice President contribute significantly to this organization in the way of financial input and fund raising.
- **Community Trust, Inc.:** This non-profit organization offers loans to support entrepreneurs with poor credit history. The bank's Vice President and Commercial Loan Officer provides technical assistance to potential borrowers, serves on the Loan Committee of the organization, and has assisted in the development of the loan policy and guidelines.
- **Highland Valley Elder Services:** This non-profit organization provides financial advisory services, along with other social services, to the elderly in the Western Massachusetts area. The bank's Senior Vice President of Retail Administration serves on the Money Management Advisory Council of this organization advising the program on fund raising, policies, and procedures.
- **Northampton Housing Partnership:** This partnership makes housing recommendations to the Mayor of the City of Northampton regarding the distribution of Northampton Community Block Grant monies to the preservation and

development of affordable housing. The bank's Vice President/CRA officer/Compliance officer serves as an appointed member on this partnership.

- **Hampshire County Interfaith Community Cot Shelter:** This organization serves as an overflow homeless shelter when all the other area shelters are at full capacity. The bank's Vice President/CRA Officer/Compliance Officer serves as a member on its management committee and site committee. Several Vice Presidents of the bank also serve as volunteers. Many members of the bank contribute significantly to this organization, whether it be in the form of financial expertise or simply donating time to help distribute food to the homeless.
- **Jessie's House:** This is an area homeless shelter for families located near Smith College. The shelter provides food, a place to stay, and serves as a transition point for families to find work permanent jobs, and housing. The bank's Lending Officer/Senior Vice President serves on the Board of this organization.
- **Habitat for Humanity:** This non-profit organization's focus is on the rehabilitation and development of 1-4 family dwellings for low and moderate-income individuals. The bank's Vice President/Mortgage Loan Officer and Assistant Treasurer serve on the Board of Trustees and Directors of this organization.
- **Salvation Army of Amherst and Hadley:** The Salvation Army is a non-profit organization that helps to provide relief to families and individuals who are in need of rental assistance, prescription medications, utility payments, clothing and household, emergency transportation and food. The bank's Branch and Assistant Branch Officers each serve as Treasurer for their respective Town.
- **Northampton Chamber of Commerce:** The bank's President/CEO is a member of the Board of Directors and is Head of the Chamber's Economic Development Committee. The purpose of this organization is to promote long range development for the Northampton region in addition to attracting new businesses that will help bring economic stability to the region.
- **Savings Makes "Cents":** This school banking program is designed to teach children the basics of managing money. Elementary school children open a School Savings Account as part of a curriculum provided by the State Treasurer's Office. Over 350 accounts have been opened from 5 schools that are enrolled in the program.

Several bank employees are involved with other organizations including the Williamsburg-Haydenville Business Association and the Florence Civic and Business Association.

Florence Savings Bank makes available its community room, located at the Hadley Branch Office, to non-profit organizations for their meetings and other group activities.

Grant Writing Technical Assistance

- FSB submitted two applications to the Federal Home Loan Bank of Boston (FHLBB) on behalf of the Hampden Hampshire Housing Partnership (HAP) for the purpose of obtaining a \$160,000 grant from the FHLBB Affordable Housing Program. The grant is to purchase and rehabilitate an existing Northampton building. The building currently has 32 “single occupancy rooms”, which have communal bathroom facilities and no kitchen facilities. The first application was denied and the second approved for funding.

In addition to specific community development services provided by officers of the bank, the staff at each branch location regularly selects a worthy cause to support through human or financial resources. Although not all activity meets the technical requirements to qualify as a community development service, a large percentage of the involvement includes activities that are aimed at revitalizing or stabilizing various low and moderate-income areas. Other organizations to which officers and employees lend their technical expertise include civic, charitable, religious and fraternal organizations located throughout the assessment area.

Educational Seminars and Services

Bank officers and employees have also participated in seminars and other events sponsored or co-sponsored by the bank during 1999. These events provide opportunities for bank representatives to inform those in attendance about the products and services being offered by the bank and to gain information about unmet credit needs in the community.

The bank conducted five first- time homebuyer seminars in 1998 and six seminars in 1999. These seminars were conducted in various Florence Savings Bank office locations, in conjunction with The Valley CDC, HAP, and the University of Massachusetts. Topics discussed included how to qualify for a mortgage, how much house a potential borrower can afford, how to apply for a mortgage loan, discussion of the bank’s current mortgage loan programs, and a free mortgage loan prequalification session.

The bank, along with other area banks, municipalities, and realtors serving the bank’s assessment area conducted homebuyer-counseling workshops and affordable housing seminars. In 1998, the bank held a seminar on home improvement and refinancing, and another on construction loans.

Conclusion - Service Test

In summary, Florence Savings Bank's systems for delivering retail-banking services are readily accessible to geographies and individuals of different income levels within its assessment area. Bank management and employees have taken leadership roles in organizations that promote economic development or target the revitalization of business communities. Therefore, the bank's service test is considered to be "Outstanding".

APPENDIX A

SCOPE OF EXAMINATION

Florence Savings Bank has one assessment area which was reviewed using the examination procedures for large banks. Florence Savings Bank has branch locations in the Springfield Metropolitan Statistical Areas (MSAs) and Non MSAs.

The CRA evaluation included HMDA-reportable loans and small business loans. The time period used for HMDA-reportable and small business loans was January 1, 1998 to December 31, 1999. The bank exhibits an excellent responsiveness to the credit needs of its assessment area.

The bank's qualified investments were also reviewed and exhibit good responsiveness to community economic development needs.

In addition, the bank's systems for delivering retail banking services and the provision of community development services were considered.

Internal analysis generated by management was reviewed during the examination, as was comparative data for the assessment area obtained from CRA WIZ.

Due to the fact that census tract 8226.00 includes the towns within the Springfield MSA, (Williamsburg and Huntington) and towns not in an MSA (Goshen, Chesterfield, and Westhampton) the Appendix B section of the report was not completed.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

FLORENCE SAVINGS BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **February 4, 2000**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.